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**SLATER, WALKER  
OF CANADA LIMITED  
1974 ANNUAL REPORT**

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## CORPORATE INFORMATION

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### HEAD OFFICE

Suite 2200, Commercial Union Tower  
Toronto-Dominion Centre  
Toronto, Ontario

### AUDITORS

Clarkson, Gordon & Co.

### LEGAL COUNSEL

Tory, Tory, DesLauriers & Binnington

### BANKERS

The Toronto-Dominion Bank  
Bank of Montreal

### EXCHANGE LISTINGS

Toronto and Montreal Stock Exchanges

### TRANSFER AGENT AND REGISTRAR

The Canada Trust Company, Toronto,  
Montreal, Winnipeg, Regina, Vancouver

### Annual Meeting

Library Room, Main Mezzanine  
Royal York Hotel, Toronto  
Monday, May 26, 1975  
10.30 a.m.

BOARD OF DIRECTORS

J. PEARCE BUNTING

President, Alfred Bunting & Co. Ltd.

V. EDWARD DAUGHNEY

Vice-President, Slater, Walker of Canada Limited

ROBERT W. KORTHALS

Vice-President, Administration,  
The Toronto-Dominion Bank

WESTELL G. PEAKER

Vice-President and Treasurer,  
Slater, Walker of Canada Limited

J. GARNET PINK

Partner, Tory, Tory, DesLauriers & Binnington

ROBERT SMITH

Chairman and President,  
Slater, Walker of Canada Limited

JOHN A. TORY

President, The Thomson Corporation Limited

OFFICERS

ROBERT SMITH

Chairman and President

WESTELL G. PEAKER

Vice-President and Treasurer

V. EDWARD DAUGHNEY

Vice-President

J. GARNET PINK

Secretary

RICHARD W. BRISSENDEN

Comptroller

PATRICIA F. FREEDMAN

Assistant-Secretary



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## FINANCIAL HIGHLIGHTS

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	1974	1973	1972	1971
Gross revenue including equity earnings . .	\$ 6,284,000	\$ 4,694,000	\$ 3,442,000	\$ 197,000
Earnings before investment gains and extraordinary item . . . . .	\$ 3,428,000	\$ 2,845,000	\$ 1,532,000	\$ 113,000
Per Share . . . . .	.92	.76	.46	.12
Net gain on disposal of investments . . . . .	\$ 205,000	\$ 988,000	\$ 3,730,000	\$ 26,000
Per Share . . . . .	.05	.26	1.12	.03
Extraordinary item . . . . .	\$ 1,336,000	—	—	—
Per Share . . . . .	.36	—	—	—
Net earnings for the year . . . . .	\$ 4,969,000	\$ 3,833,000	\$ 5,262,000	\$ 139,000
Per Share . . . . .	1.33	1.02	1.58	.15
Cash dividends paid . . . . .	\$ 932,000	\$ 559,000	\$ 186,000	—
Per Share . . . . .	.25	.15	.05	—
Total assets at indicated market value . . . .	\$38,890,000	\$51,532,000	\$68,388,000	\$11,695,000
Per Share . . . . .	10.43	13.82	18.34	6.91
Shareholders' equity at indicated market value . . . . .	\$31,333,000	\$38,824,000	\$57,204,000	\$ 5,665,000
Per Share . . . . .	8.40	10.41	15.34	3.35
Common shares (adjusted for subdivision and conversions):				
Weighted average . . . . .	3,728,466	3,728,466	3,331,530	940,500
Outstanding end of year . . . . .	3,728,466	3,728,466	3,728,466	1,692,900

**Notes:**

1. Per share figures do not take into account the effect of the Toronto and London Investment Company Ltd. transactions referred to on page 4.
2. Indicated market values are shown before provision for taxes on unrealized gains.



## PRESIDENT'S REPORT TO THE SHAREHOLDERS

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### Change of Control

Before reviewing the events of 1974, let me outline the fundamental change in control of Slater, Walker which took place subsequent to the year end and resulted in the "Canadianization" of your Company.

Last year's report mentioned the positive approach your directors and management had taken with regard to the then recently introduced Foreign Investment Review Act and expressed the view that we did not expect the legislation to adversely affect the growth of your Company because of our continuing efforts to adapt to the Act. It subsequently became clear that in the long term the only way we could successfully continue operations in Canada would be for Slater, Walker Securities Limited, of the U.K., to dispose of its controlling interest. Your management subsequently had numerous discussions on this subject with Slater, Walker, U.K. and with potential Canadian purchasers of its holding.

Late in 1974, contact was made with the principal shareholders of Toronto and London Investment Company Ltd., a Canadian closed-end investment fund, which subsequently purchased a 49.9% equity interest in your Company from Slater, Walker, U.K. We then made a cash offer to purchase all of the outstanding common shares of Toronto and London which was, at that time, in the process of realizing its investment portfolio. Full information on these transactions was sent to shareholders in

February 1975 and they were unanimously approved at the Special General Meeting of shareholders held on March 6, 1975. At the present time, 96% of the common shares of Toronto and London have been purchased under the offer and it is expected that any shares not tendered before June 12, 1975 will be acquired under the provisions of the Canada Corporations Act. We are in the process of assimilating the operations of Toronto and London and will be consolidating its accounts as of March 31, 1975, that company's fiscal year end. We expect to provide fully integrated financial reports with our first quarter's Interim Report to shareholders. Further information about Toronto and London may be found in note 8(c) to the Consolidated Financial Statements on page 20.

The effect of the above transactions is that the shares of your Company are now predominantly owned by Canadians thus establishing the Canadian status of your Company and its associates for the purposes of the Foreign Investment Review Act and other legislation under which Canadian ownership is beneficial.

The major shareholders of your Company (excluding the 49.9% of our shares held by Toronto and London) are now the family of Lord Thomson of Fleet and The Toronto-Dominion Bank holding in effect 20% and 13% respectively.

This repatriation of the control of the Company from the U.K. has brought us to to the end of a dramatic phase of the Company's history. However, it is with



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sincere regret that we part company with Slater, Walker Securities Limited. The association over the past four years with our former major shareholder and particularly with Mr. James D. Slater, its Chairman and Chief Executive, has been very rewarding for the Company and stimulating for its management.

### **Review of Activities**

The economic scene at the beginning of 1974 was very unsettled and we therefore started the year in a very cautious mood. Later in the year we became more concerned with the protection of our substantial asset base than with further growth by acquisition and in fact, to protect the asset base and to preserve liquidity, we sold, or agreed to sell, a number of our investments and in retrospect this would seem to have been the right course of action.

The highlights of 1974 are:—

1. We agreed to sell to Marks and Spencer Limited of the U.K. two-thirds of our present holding in Peoples Department Stores Ltd. for \$9.5 million which sale is awaiting the approval of the Foreign Investment Review Agency. If the sale is completed we will continue to hold approximately 9% of Peoples Stores which will be held as a portfolio investment.
2. We entered into an agreement to sell our 22% holding in Alpa Industries Limited to Reed Paper Group Limited for \$3.1 million. This transaction was closed in March, 1975.

3. Slater, Walker Properties Limited completed the sale of the Martello Towers apartment building in Vancouver, B.C. for \$4.1 million. The after tax profit of \$600,000 on this sale is included as an extraordinary item in our 1974 results.
4. With the assistance of our financial services staff, one of our property subsidiaries acquired all of the shares of Telfer Paper Box Co. Limited. The operating business of Telfer and equipment were sold to C. F. Haughton Limited (in which we have a 39% interest) and the building and land owned by Telfer to a third party. Under the management of C. F. Haughton, the Telfer business, renamed Telfer Packaging, has shown a marked improvement in sales and earnings.
5. One of our trading subsidiaries completed the sale of a significant shareholding in Markborough Properties Limited, which resulted in a profit in excess of \$3 million before income tax.

Last year I reported that we had opened an office in New York and that we expected to complete the acquisition of a controlling interest in the Nestle Le-Mur Company, a listed cosmetics manufacturer.

Regrettably this transaction was not completed and we subsequently closed our New York office. Your management is, however, still interested in investing in the United States if, and when, suitable opportunities occur.



Since year end we have continued to be concerned with liquidity and in February our 10% holding in Jannock Corporation Limited was sold for a price approximating our original cost, but substantially in excess of its then market value.

### Financial Results

Despite very difficult economic conditions throughout 1974, the financial results for the year displayed a continuation of a rising trend of performance as evidenced by the following statistics.

Indicated market value is the total of the market value of listed securities and the book value of other investments and assets. Unfortunately, the universal decline in stock market prices resulted in a reduction in shareholders' equity at

indicated market value in 1974 of 19% which compares with a decline in the TSE Industrial Index of 27%. Your management has reviewed all investments held by the Company and is of the opinion that on a conservative basis they are worth in the aggregate considerably more than their book value and their indicated market value.

We are very pleased with the earnings results which continue to reflect the solid performance of our investment associates. More information on these companies will be found in the Review of Major Investments section of this report.

Net gain on disposal of investments ("capital gains") was \$205,000 for the current year compared to approximately \$1 million in 1973. Such gains, because

	1974	1973	Change
Gross revenue including equity earnings	\$ 6,284,000	\$ 4,694,000	+ 34%
Earnings before investment gains and extraordinary item	3,428,000	2,845,000	+ 21%
Per share*	.92	.76	
Earnings for the year	4,969,000	3,833,000	+ 30%
Per share*	1.33	1.02	
Shareholders' equity:			
At book value	33,952,000	30,152,000	+ 13%
Per share*	9.11	8.09	
At indicated market value	31,333,000	38,824,000	— 19%
Per share*	8.40	10.41	

\*The per share figures do not take into account the effect of the Toronto and London transactions referred to above.



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of their nature, occur irregularly and are therefore shown separately in the earnings statement. The extraordinary item of \$1,336,000 (36¢ per share) reflects the sale by property subsidiaries of certain real estate holdings including the Martello Towers apartment building in Vancouver and the Telfer property in Toronto.

Each year your Company has earned sizeable profits from the activities of trading subsidiaries which was also the case in 1974 despite the difficult stock market conditions and a provision of almost \$1 million for the decline in market values of trading securities at the year end. Since the year end, the stock markets have shown considerable improvement and the value of our trading portfolio has increased by approximately \$200,000. It is our policy to write-off against profits any unrealized losses in the trading portfolio, and to include in profits only realized gains and recovery of previous write-downs.

### **Management**

Since reporting to you last year there have been a number of changes in management and the Board. Mr. James D. Slater resigned as Chairman of the Board and as a director early in the year and Mr. F. R. R. Rowe resigned as a director in June 1974 at the time he left the employment of Slater, Walker, U.K. Both Mr. Slater and Mr. Rowe joined the Board when control of your Company was purchased by Slater, Walker, U.K. in April, 1971, and have made substantial contributions to the success and devel-

opment of the Company over the past four years.

Mr. J. Garnet Pink, a partner in the firm of Tory, Tory, DesLauriers & Binnington (legal counsel to your Company) and Mr. V. Edward Daughney (a Vice-President of the Company) were appointed directors during the year to fill vacancies on the Board.

In September 1974 Mr. F. D. Pickersgill resigned as a Vice-President of the Company upon his appointment as President of Alliance Building Corporation Limited, in which we have a 45% interest. At the same time, Mr. R. J. Graham, President of Slater, Walker Properties Limited, took on the additional duties of Executive Vice-President of Alliance. These appointments were made to strengthen the management of Alliance at a time when it was experiencing cash flow difficulties partly related to rising interest rates and provincial legislation adversely affecting property values. In December 1974 Mr. W. G. Peaker, Vice-President and Treasurer, was appointed Chairman of the Board of Alliance to lend additional financial experience and to monitor Alliance's performance closely on behalf of your company. We are pleased to report that having sold land and buildings in excess of \$24 million over the past few months, Alliance's cash flow position has been markedly improved and we are now confident that it has the resources to develop its considerable land holdings on a profitable basis in the future.



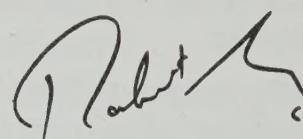
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### **Future Prospects**

There is much uncertainty in the world today and it is difficult to forecast economic developments. Accordingly, your management is still taking a very cautious approach to new investments, although a number of interesting prospects are being considered.

We are looking forward to satisfactory earnings levels again in 1975 and, market conditions permitting, an improvement in the underlying net asset value of your Company.

The excellent results that have been achieved in 1974 were due in no small part to the loyalty and energy of the management and staff of your Company and its associates and I wish to thank each of them on behalf of the shareholders and the directors.

A handwritten signature in dark ink, appearing to read 'Robert Smith', with a stylized flourish at the end.

ROBERT SMITH  
President.



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## SUMMARY OF MAJOR INVESTMENTS

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<b>Listed Companies</b>	<b>BUSINESS</b>	<b>APPROXIMATE EQUITY INTEREST</b>
Peoples Departments Stores Group Peoples Stores Walker Stores & Smith's of Windsor Marks & Spencer } 50% owned by Peoples D'Allairs } Department Stores Ltd.	Retailing	30%
Alliance Building Corporation Limited	Real estate investment and development	45%
Alpa Industries Limited*	Manufacture and distribution of lumber products	22%
<b>Unlisted Companies</b>		
Real Estate Group Slater, Walker Properties Limited	Real estate services, development and investment and mortgage loans	100%
Immobilia Inc.	Real estate development	76%
The Haughton Group C. F. Haughton Limited ABF Automated Business Forms	Printing Manufacture of business forms	39%
Venus Esterbrook Canada Limited	Manufacture and distribution of writing and marking instruments and of advertising specialty products and custom vinyl products	75%

\*Sold in March 1975

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## REVIEW OF MAJOR INVESTMENTS

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### Listed Companies

#### **Peoples Department Stores Group**

The Peoples Group is a successful and expanding merchandising chain which has shown outstanding growth over the past several years. It operates 56 "Peoples" variety stores in Eastern Canada, 51 "Walkers" stores handling a medium-priced range of apparel goods in Ontario, and two large "Smith's" department stores in Windsor, Ontario.

Through a company jointly owned with Marks and Spencer Limited of the United Kingdom (one of the world's largest and most successful retailers), Peoples also operates 19 "Marks and Spencer" stores which handle the high quality and medium-priced "St. Michael" brand of clothing and 38 "D'Allairs" ladies fashion stores, both chains having locations across Canada. The present total of 164 stores in the Group represents an increase of 27 stores over the total reported last year and a further 8 store openings are planned before the Group's July 31, 1975 year end.

Peoples reported satisfactory results for its fiscal year ended July 31, 1974, with sales rising 17% to over \$72 million (excluding sales of the "D'Allairs" and "Marks and Spencer" divisions) and net earnings before extraordinary items rising 8% to over \$3.3 million. Results for the current fiscal year are continuing at a satisfactory level although earnings for the six months ended January 31, 1975, were slightly lower at \$1.85 million (\$1.96 million in 1974) due almost entirely to the recently introduced Federal

Government 10% surtax.

Your Company has agreed to sell to Marks and Spencer of the United Kingdom two-thirds of its holdings of Peoples shares at \$10 per share, which sale is awaiting the approval of the Foreign Investment Review Agency. If such approval is received, Marks and Spencer has agreed to offer to purchase at least 50% of the shares held by all other shareholders of Peoples also at \$10 per share.

#### **Alliance Building Corporation Limited**

Alliance is engaged, directly and indirectly through subsidiaries and joint ventures and partnerships with others, in the development, ownership and management of revenue producing properties, construction and sale of residential, industrial and commercial properties and land banking operations for the most part in the Toronto area.

Alliance has recently announced its financial results for the year ended December 31, 1974, which show that its net earnings increased from \$1.3 million (\$1.04 per share) in 1973, to \$1.7 million (\$1.17 per share) in 1974. Cash flow increased to \$4.7 million (\$3.30 per share) in 1974 from \$3.7 million (\$2.70 per share) in 1973. Results for the first quarter of 1975 show a small improvement over the same period in the previous year and the outlook for the balance of the year is favourable.

#### **Alpa Industries Limited**

(sold in March 1975)

Alpa which manufactures and distrib-



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utes lumber products reported excellent results for the fiscal year ended June 30, 1974 with sales increasing 116% and net earnings increasing 59% to \$2 million. Unaudited results for the first 6 months of fiscal 1975 showed an earnings decline of 27% which reflected falling lumber prices and lower levels of construction activity.

In August, 1974, the Reed Paper Group made an offer to acquire 100% of Alpa at a cash price of \$12 per share. Our entire 22% holding was acquired by Reed on March 24, 1975.

### **Unlisted Companies**

#### **Real Estate Group**

##### **Slater, Walker Properties Limited**

Slater, Walker Properties holds a number of high quality revenue producing properties including the prestigious Board of Trade and Baxter office buildings in Vancouver (British Columbia) and several shopping centres in Saskatoon (Saskatchewan), Winnipeg (Manitoba) and Brantford, Chatham and Sault Ste. Marie (Ontario). It also arranges and makes mortgage loans on the security of real property. In January, 1974, Slater, Walker Properties sold its Martello Towers apartment building in Vancouver for \$4.1 million, which provided proceeds of \$1.4 million net of mortgages and in November it sold the land and buildings acquired as part of the purchase of Telfer Packaging for proceeds of \$1.4 million net of mortgages.

Slater, Walker Properties continues to operate at a satisfactory level and after

adjusting for the sale of the Martello Towers apartment building showed increases in rental income and earnings of 3% and 6% respectively during 1974. We are expecting a substantial increase in earnings from this company in 1975 with many leases being renewed at much higher rentals. Also plans are well in hand for expansion of the shopping centres in Saskatoon and Brantford.

##### **Immobilia Inc.**

Immobilia is a Montreal based real estate investment and development company. Its holdings include the Avis Building, an office property in the Montreal suburb of St. Laurent, Quebec, and a mixed residential and commercial development in the city of Pointe Claire, Quebec. The latter development called Southwest One was planned as a "total living" environment and provides living accommodation integrated with recreation, shopping and office facilities. All elements of the development are joined by underground car parks and the residents enjoy tennis courts, two swimming pools and a health club including several squash courts. A 50% interest in the Southwest One complex was sold in February, 1974 for \$3 million cash on a co-tenancy basis to outside interests.

Immobilia has acquired a number of land sites in the Montreal area and has plans for the development of other residential and commercial complexes over the next two years.

##### **The Haughton Group**

C. F. Haughton Limited together with its



wholly owned subsidiary ABF Automated Business Forms Limited is one of the larger printing and paper converters in Canada. Its main activities are in the production of business forms, marketed under the ABF name, and colour lithography, marketed under the Haughton name. During 1974 your Company assisted Haughton in the acquisition of its Telfer Packaging Division which has been assimilated smoothly into the Group and has achieved substantially increased sales and profitability during this period.

The net earnings of The Haughton Group for its 1974 fiscal year ended August 31, increased to over \$1.1 million compared with \$575,000 for the previous year. The 1975 fiscal year is continuing at a high level of performance with net earnings before extraordinary items for the first half rising to over \$800,000 compared with \$499,000 for the first half of the pre-

vious year. A large part of this improvement comes from Telfer Packaging which has been included in the Group results from its date of acquisition in May, 1974.

#### **Venus Esterbrook Canada Limited**

Venus is a major supplier of writing instruments and office products and also manufactures a range of custom vinyl products such as briefcases, ring binders and clipboards.

Despite a promising beginning after its acquisition from its U.S. parent in 1972, the Venus Group has experienced problems related to rising prices and shortages of raw materials in 1974. We are hopeful that the management team assembled at Venus will overcome these difficulties and the early signs for 1975 suggest an improvement in operations, sales and profitability.

### **AUDITORS' REPORT**

To the Shareholders of  
Slater, Walker of Canada Limited:

We have examined the consolidated balance sheet of Slater, Walker of Canada Limited and its consolidated subsidiaries as at December 31, 1974, and the consolidated statements of earnings, retained earnings and changes in investments for the year then ended. For Slater, Walker of Canada Limited, its consolidated subsidiaries, and Slater Walker Properties Limited, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies included in these financial statements, all of which are accounted for by the equity method, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of Slater, Walker of Canada Limited and its consolidated subsidiaries as at December 31, 1974 and the results of their operations and the changes in their investments for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
April 1, 1975.

ARTHUR YOUNG, CLARKSON, GORDON & CO.  
Chartered Accountants



**CONSOLIDATED STATEMENT OF EARNINGS**

YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
<b>Financial income</b> including interest, fees, trading gains and dividends	<u>\$3,504,328</u>	\$2,087,140
<b>Equity in net earnings</b> before extraordinary gain of associated and unconsolidated subsidiary companies involved in:		
Commercial activities	<u>1,104,413</u>	865,820
Real estate activities	<u>831,041</u>	893,399
Industrial activities	<u>744,080</u>	<u>847,341</u>
	<u>6,281,872</u>	4,693,700
<b>Expenses</b> (note 6)	<u>2,856,211</u>	<u>1,848,539</u>
<b>Earnings</b> before net gain on disposal of investments and extraordinary gain	<u>3,427,661</u>	2,845,161
<b>Net gain on disposal of investments</b> (net of \$6,000 income taxes; 1973 — \$434,000)	<u>205,045</u>	987,957
<b>Extraordinary gain</b> representing net profit on disposal of investment properties by unconsolidated real estate subsidiary	<u>1,336,105</u>	—
<b>Net earnings</b> for the year	<u>\$4,968,811</u>	<u>\$3,833,118</u>
<b>Earnings per share</b>		
Earnings before net gain on disposal of investments and extraordinary gain	<u>\$ .92</u>	\$ .76
Net gain on disposal of investments	<u>.05</u>	.26
Extraordinary gain	<u>.36</u>	—
Total for the year	<u>\$1.33</u>	<u>\$1.02</u>

(See accompanying notes to consolidated financial statements)



**CONSOLIDATED BALANCE SHEET**

DECEMBER 31, 1974 (with comparative figures at December 31, 1973)

<b>ASSETS</b>	<b>1974</b>	<b>1973</b>
<b>Investments (notes 2 and 8)</b>		
Associated companies:		
Quoted shares, at equity	\$16,495,044	\$14,755,594
Debentures and warrants, at cost	1,706,180	1,706,180
Unquoted shares, at equity	895,606	581,168
	<u>19,096,830</u>	<u>17,042,942</u>
Unconsolidated subsidiary companies:		
Unquoted shares, at equity	10,090,938	8,349,546
Debentures, at cost	2,000,000	2,000,000
	<u>12,090,938</u>	<u>10,349,546</u>
Portfolio:		
Quoted securities, at the lower of cost and market	3,371,433	4,449,815
Unquoted shares, at the lower of cost and estimated realizable value	1,364,076	1,476,535
	<u>4,735,509</u>	<u>5,926,350</u>
<b>Total investments</b>	<b>35,923,277</b>	<b>33,318,838</b>
<b>Trading securities, at the lower of cost and market (note 2 (b))</b>	<b>609,338</b>	<b>6,578,494</b>
<b>Cash and short-term deposits</b>	<b>1,226,212</b>	<b>—</b>
<b>Short-term advances to related companies</b>	<b>1,557,702</b>	<b>2,326,726</b>
<b>Notes and accounts receivable</b>	<b>773,742</b>	<b>495,715</b>
<b>Deferred income taxes</b>	<b>939,520</b>	<b>—</b>
<b>Other</b>	<b>277,571</b>	<b>140,473</b>
	<u><u>\$41,509,362</u></u>	<u><u>\$42,860,246</u></u>

(See accompanying notes to consolidated financial statements)



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**LIABILITIES**

	<u>1974</u>	<u>1973</u>
Bank indebtedness	\$ 240,000	\$ 3,404,581
Accounts payable and accrued charges	1,790,500	2,273,448
Income taxes payable	1,002,173	454,754
Term loan from bank (note 3)	4,535,000	6,575,000
Total liabilities	<u>7,567,673</u>	<u>12,707,783</u>

**SHAREHOLDERS' EQUITY****Share capital (note 4)**

Authorized:

7,500,000 common shares

Issued:

3,728,466 common shares

	<u>14,195,734</u>	<u>14,195,734</u>
Contributed surplus	4,016,267	4,016,267
Retained earnings (note 5)	<u>13,739,689</u>	<u>11,940,462</u>
Total shareholders' equity	<u>33,951,690</u>	<u>30,152,463</u>

<u>\$41,509,362</u>	<u>\$42,860,246</u>
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On behalf of the Board:

ROBERT SMITH, Director

WESTELL G. PEAKER, Director



**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
<b>Balance</b> at beginning of year .....	<b>\$11,940,462</b>	\$ 7,354,343
<b>Add:</b>		
Net earnings for the year .....	4,968,811	3,833,118
Equity in capital transactions of associated companies (resulting mainly from their issue of share capital for amounts in excess of book value) .....	—	1,312,267
	<u>16,909,273</u>	<u>12,499,728</u>
<b>Deduct:</b>		
Dividends on common shares .....	932,110	559,266
Tax paid on undistributed income on the wind-up of wholly-owned financial subsidiaries .....	237,474	—
	<u>1,169,584</u>	<u>559,266</u>
<b>Balance</b> at end of year .....	<b>\$15,739,689</b>	<b>\$11,940,462</b>

(See accompanying notes to consolidated financial statements)



## CONSOLIDATED STATEMENT OF CHANGES IN INVESTMENTS

YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	1974	1973
<b>Source of investment funds</b>		
Earnings from operations .....	\$ 3,427,661	\$ 2,845,161
Less equity in net earnings before extraordinary gain of associated and unconsolidated subsidiary companies .....	2,779,544	2,606,560
	648,117	238,601
Decrease in trading securities .....	5,769,156	—
Proceeds on disposal of investments .....	1,402,214	8,224,603
Repayment of short-term advances to related companies .....	769,024	—
Dividends from associated and unconsolidated subsidiary companies .....	484,174	163,926
Increase in bank indebtedness .....	—	2,034,280
	<u>9,072,685</u>	<u>10,661,410</u>
<b>Deduct:</b>		
Repayment of bank indebtedness and term loan .....	5,214,561	—
Increase in cash and short-term deposits .....	1,226,212	—
Dividends paid .....	932,110	559,266
Miscellaneous (net) .....	1,533,980	405,221
Increase in trading securities .....	—	747,419
Additional short-term advances to related companies .....	—	422,954
	<u>8,906,863</u>	<u>2,134,860</u>
<b>Funds used for investments</b> .....	163,802	8,526,550
<b>Investments at beginning of year</b> .....	33,318,838	27,840,033
Equity in net earnings and capital transactions of associated and unconsolidated subsidiary companies less dividends received .....	3,631,475	3,754,901
	<u>37,114,115</u>	<u>40,121,484</u>
Less carrying value of investments sold .....	1,190,838	6,802,646
<b>Investments at end of year</b> .....	<u>\$35,923,277</u>	<u>\$33,318,838</u>

(See accompanying notes to consolidated financial statements)



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1974

**1. BUSINESS OF THE COMPANY AND ACCOUNTING POLICIES**

Slater, Walker of Canada Limited is an investment and holding company and its wholly-owned financial subsidiaries conduct a financial and management services business and a securities trading operation. For financial statement purposes, this group of companies is herein called the "Company". The Company holds interests in a number of long-term investments and trading securities which can be described as follows:

Associated companies – companies less than 50% owned which are operated autonomously and in which the Company has significant influence.

Unconsolidated subsidiaries – companies more than 50% owned but which are operated autonomously and whose business operations are not primarily of a financial nature.

Portfolio investments – investments in quoted and unquoted equity and debt securities of companies less than 50% owned in which the Company exerts no significant influence.

Trading securities – quoted and unquoted securities purchased with the intention of holding them for the short-term.

BASIS OF PRESENTATION of the financial statements of the Company and the above investments may be summarized as follows. The accounts of Slater, Walker of Canada Limited are consolidated with its financial subsidiaries only. Investments in associated companies and unconsolidated subsidiaries are accounted for by the equity method whereby the investments are initially recorded at cost and carrying amounts are adjusted to recognize the Company's share of earnings or losses and of capital transactions since acquisition and reduced by

dividends received. Additional financial information with respect to these investments is provided in the notes to the financial statements. All significant inter-company transactions are eliminated. Since the Company's business is primarily investment holding and accordingly financial in nature, the basis of presentation outlined above is considered to be more informative than a full consolidation incorporating the non-financial subsidiaries which are operated autonomously.

Quoted portfolio investments and trading securities are carried at the lower of average cost and market as determined by comparing the aggregate cost of each category with its respective aggregate market value. Market values are based on the last reported sale or closing bid price on security exchanges or over-the-counter markets.

The aggregate market value of quoted investments by category is detailed in the notes to the financial statements. Unquoted portfolio investments are carried at the lower of cost and estimated realizable value.

ACQUISITIONS OF INVESTMENTS have been recorded on the purchase basis of accounting. For investments acquired up to December 31, 1974, any difference between the purchase price of the investment and the acquired interest in net tangible assets at estimated fair value is not amortized unless the value of the related investment is impaired. For future acquisitions it is the intention to amortize any such difference to earnings over a reasonable period of time.

EARNINGS PER SHARE are computed on the basis of the weighted average number of shares outstanding in each year after giving retroactive effect to any subdivisions or conversions.

**2. INVESTMENTS**

(a) Analysis of investment in shares of associated and unconsolidated subsidiary companies:

	1974		1973
	Approximate Equity Interest %	Carrying Value at Equity (i)	Carrying Value at Equity (i)
Associated companies –			
Quoted shares:			
Peoples Department Stores Ltd. (ii) (note 8(a))	30	\$ 8,716,952	\$ 7,895,722
Alliance Building Corporation Limited	45	4,988,479	4,393,171
Alpa Industries Limited (note 8(b))	22	2,789,613	2,466,701
		<u>\$16,495,044</u>	<u>\$14,755,594</u>
Unquoted shares:			
C. F. Haughton Limited (ii)	39	\$ 895,606	\$ 581,168
Unconsolidated subsidiary companies –			
Unquoted shares:			
Slater, Walker Properties Limited	100	\$ 7,842,803	\$ 6,109,260
Immobilia Inc.	76	1,615,150	1,565,515
Venus Esterbrook Canada Limited	75	632,985	674,771
		<u>\$10,090,938</u>	<u>\$ 8,349,546</u>



(i) The excess of the total purchase price of these investments over the acquired interest in net tangible assets at estimated fair value is in the aggregate \$3,541,000 (1973 - \$3,291,000).

(ii) The accompanying consolidated financial statements include the Company's share in the results of Peoples Department Stores Ltd. and C. F. Haughton Limited for their fiscal years ended July 31 and August 31, 1974 respectively.

(b) Market values of quoted investments and trading securities:

	December 31, 1974			December 31, 1973	
	Carrying Value	Market Value		Carrying Value	Market Value
		December 31 1974	March 31 1975		
Associated companies:					
Quoted shares .....	\$16,495,044	\$13,950,000	\$16,170,000	\$14,755,594	\$20,582,000
Debentures and warrants .....	1,706,180	1,632,000	1,689,000	1,706,180	1,967,000
Quoted portfolio securities (ii) .....	3,371,433	3,371,000	3,411,000	4,449,815	4,496,000
Trading securities (ii) .....	809,338	810,000	984,000	6,578,494	9,117,000

(i) The market values of the Company's investments do not necessarily represent the value of entire blocks of investment holdings which may be more or less than the value indicated by market quotations.

(ii) In 1974, the carrying value of the trading securities was reduced by \$975,000 (1973 - nil) and quoted portfolio securities by \$86,000 (1973 - nil) to reflect a decline in their market value.

(c) The following is a summary of comparative financial data for unconsolidated subsidiary companies held at December 31, 1974 extracted from audited financial statements for the year then ended.

#### SUMMARIZED BALANCE SHEET

	1974	1973
Current assets .....	\$ 4,386,000	\$ 2,363,000
Investment in real estate .....	37,612,000	38,645,000
Other assets .....	1,035,000	1,082,000
	<u>43,033,000</u>	<u>42,090,000</u>
Current liabilities .....	5,402,000	4,326,000
Long-term debt .....	26,910,000	29,134,000
Deferred income taxes .....	1,769,000	1,424,000
	<u>34,081,000</u>	<u>34,884,000</u>
Shareholders' equity .....	<u>\$ 8,952,000</u>	<u>\$ 7,206,000</u>

#### SUMMARIZED INCOME STATEMENT

Gross revenue .....	<u>\$ 6,854,000</u>	<u>\$ 9,541,000</u>
Earnings before the following .....	<u>\$ 3,275,000</u>	<u>\$ 3,387,000</u>
Deduct:		
Interest on long-term debt .....	2,068,000	2,026,000
Depreciation and amortization .....	275,000	344,000
Income taxes .....	522,000	522,000
	<u>2,865,000</u>	<u>2,892,000</u>
Net earnings for the period before extraordinary gain .....	<u>\$ 410,000</u>	<u>\$ 495,000</u>
Extraordinary gain (net of \$403,000 income taxes) .....	<u>\$ 1,336,000</u>	<u>—</u>

(d) Analysis of earnings before extraordinary item from investments:

	Financial income	Equity earnings	Total of financial income and equity earnings	Disposal of investments
Associated companies .....	\$ 284,607	\$2,371,407	\$2,656,014	\$ —
Unconsolidated subsidiaries .....	376,713	408,137	784,850	—
Portfolio investments .....	334,147	—	334,147	205,045
Other sources .....	2,508,861	—	2,508,861	—
Total .....	<u>\$3,504,328</u>	<u>\$2,779,544</u>	<u>\$6,283,872</u>	<u>\$205,045</u>



## SLATER, WALKER OF CANADA LIMITED

### 3. TERM LOAN

The term loan, bearing interest at 1% above the prime bank rate and maturing July 31, 1975, is secured by a pledge of the shares and debentures of Slater, Walker Properties Limited, and other securities with a quoted value at December 31, 1974 in excess of \$4,000,000, the security required under the terms of the loan agreement with the bank.

### 4. SHARE CAPITAL

The Company has reserved 100,000 common shares for its Key Employees Stock Option Plan. Options granted under the Plan may be exercised on a cumulative basis at 20% per annum commencing one year subsequent to the date of grant and expire six years subsequent to such date.

Options outstanding at December 31, 1974 are as follows:

Year Granted	Option Price	Outstanding December 31, 1974
1972	\$ 9.00	15,500
1972	15.30	2,200
1973	9.00	27,500
1973	14.75	2,200
		<u>47,400</u>

Of the outstanding options, 36,000 are for directors and officers.

### 5. RETAINED EARNINGS

In compliance with Section 62 of the Canada Corporations Act, retained earnings of \$728,888 are designated as capital surplus arising on the redemption of preferred shares.

### 6. DEPRECIATION, INTEREST AND INCOME TAXES

Expenses include the following:

	1974	1973
Interest:		
Term loan .....	\$796,000	\$561,000
Other .....	26,000	256,000
Income taxes .....	591,000	145,000
Depreciation .....	44,000	27,000

### 7. REMUNERATION OF DIRECTORS AND OFFICERS

Aggregate remuneration paid to directors and officers of the Company as defined in the Canada Corporations Act:

	1974	1973
Number of directors .....	9	7
Remuneration as directors .....	\$ 10,750	\$ 3,000
Number of officers .....	8	8
Remuneration as officers .....	\$321,328	\$304,716
Officers who are also directors ..	4	3

### 8. TRANSACTIONS CLOSING SUBSEQUENT TO YEAR END

(a) The Company has agreed to sell to Marks and Spencer Limited 950,000 shares of Peoples Department Stores Ltd. (representing approximately  $\frac{2}{3}$  of its holdings) for a cash consideration of \$10 per share. The completion of this sale is conditional upon obtaining approval under the Foreign Investment Review Act. Subject to the completion of this transaction, it is the intention of the purchaser to make an offer to all other shareholders of

Peoples Stores to purchase at least 50% of their shares at \$10 per share. The Company has agreed that, if requested, it will sell at \$10 per share additional shares (not to exceed 232,957 shares) to ensure that the purchaser thereafter owns 51% of the outstanding shares of Peoples Stores.

(b) Subsequent to the year end, the Company sold its investment in Alpa Industries Limited, a quoted associated company, for proceeds of approximately \$3,100,000 and its investment in Jannock Corporation Limited, a quoted portfolio security, for an amount approximating its cost of \$3,275,000.

(c) On February 12, 1975, the Company made a public offer to acquire all the issued and outstanding 3,360,856 common shares of Toronto and London Investments Company Ltd. ("T & L") at a cash price of \$5 per share. At March 31, 1975, 3,208,028 shares (95.45%) had been acquired under this offer and the Company intends to invoke the provisions of section 136 of the Canada Corporations Act for the purpose of acquiring any shares not tendered under the offer at June 12, 1975. The total purchase price of \$16,804,280 for the T & L shares is being financed by a line of credit arranged with the Company's bankers.

Prior to the above mentioned offer, T & L had purchased 1,860,000 common shares of Slater, Walker of Canada Limited representing 49.9% of its issued and outstanding common shares, for a cash consideration of \$6.75 per share plus an additional 50¢ per share contingent upon the completion of the sale by the Company to Marks and Spencer Limited of 950,000 common shares of Peoples Department Stores Ltd. at a cash consideration of \$10 per share, which sale is conditional upon approval under the Foreign Investment Review Act.

The acquisition of T & L will be treated on the purchase basis of accounting and the following acquisition equation is based on the unaudited financial statements of T & L at March 31, 1975:

Tangible assets at book value .....	\$18,649,638
Less liabilities at book value .....	<u>52,591</u>
Net tangible assets at book value .....	18,597,047
Adjustment required to state net tangible assets acquired at estimated fair value .....	(351,214)
Net tangible assets at estimated fair value .....	<u>\$18,245,833</u>

Represented by:

Investment in Slater, Walker of Canada Limited, at cost (including expenses related to transaction of \$165,565) ...	\$12,720,565
Quoted investments, at market value ..	2,183,275
Cash and short-term deposits .....	3,062,830
Miscellaneous .....	<u>279,163</u>
Net tangible assets at estimated fair value .....	18,245,833
Purchase price paid in cash (including estimate of expenses related to the transaction of \$237,000) .....	<u>17,041,383</u>
Excess of net tangible assets over purchase price .....	<u>\$ 1,204,450</u>

In accordance with generally accepted accounting principles, the excess of net tangible assets over purchase price of the investment will be allocated against the non-monetary assets of T & L, namely its investment in Slater, Walker of Canada Limited.











# SLATER, WALKER OF CANADA LIMITED

## INTERIM REPORT TO THE SHAREHOLDERS

FOR THE SIX MONTHS ENDED JUNE 30, 1975

### GENERAL

On June 16, 1975 we mailed a Special Report to the shareholders which included proforma financial information following the "Canadianization" of your Company and other significant transactions which had occurred in 1975 but had not closed as at March 31, 1975, the date of the financial statements. All of these transactions are now complete and are reflected in the June 30, 1975 financial statements included with this report. The highlights of these transactions are repeated below for the convenience of continuing shareholders and the information of new shareholders:

1. The purchase by Toronto and London Investment Company Ltd., a closed-end investment fund, of a 49.9% equity interest in your Company from Slater, Walker Securities Limited, of the United Kingdom, at a total price of \$13.5 million (\$7.25 per share) and the subsequent acquisition by your Company, through a cash offer, of all of the shares of Toronto and London at \$5 per share or \$16.8 million.
2. The sale to Marks and Spencer Limited of the U.K. of two-thirds of our holding in Peoples Department Stores Ltd. (which portion originally cost us \$3.5 million) for \$9.75 million cash. Our remaining holding of approximately 9% of Peoples Stores is now reflected as a portfolio investment on the balance sheet.
3. The sale by Slater, Walker Properties Limited (a wholly-owned unconsolidated subsidiary of the Company) of the Board of Trade Tower and the Baxter Building in Vancouver, B.C. for \$20.7 million which generated approximately \$11 million in cash net of mortgages and taxes.

Subsequently, Slater, Walker Properties repaid the \$2 million debenture held by your Company and paid a special \$3.7 million cash dividend.

4. Your Company's sale to Slater, Walker Properties of its entire investment in Alliance Building Corporation Limited.

### ASSET VALUE

Shareholders' equity at book value increased to \$15.66 per share at June 30, 1975 based on 1,868,466 common shares assumed to be outstanding for accounting presentation purposes, as compared with \$9.11 per share at the last year end and \$8.73 at June 30, 1974, based on 3,728,466 common shares. This increase resulted mainly from the gains on the sale of the Peoples Stores shares and the Vancouver properties as well as the discount at which the 49.9% interest in your Company was acquired by Toronto and London combined with the subsequent acquisition by your Company of Toronto and London.

The Company is now very liquid with \$8.3 million in cash and short-term deposits and a further \$6.9 million in marketable portfolio investments and trading securities.

### EARNINGS

Consolidated earnings before gains on disposal of investments and extraordinary gain for the first half of 1975 were 52c per share compared with 58c per share for the previous year. The 1974 earnings were unusually high because of substantial trading gains in that period.

The very substantial gains on disposal of investments (81c per share) and extraordinary gain (\$1.64 per share) result mainly from the sale of Peoples Stores shares and the Vancouver properties respectively. By their nature, such gains occur irregularly and are therefore shown separately.



In computing earnings per share for the first half of 1975 the weighted average number of shares outstanding used was 2,798,466 shares. However, because of the method of accounting for the acquisition in March 1975 of Toronto and London, the weighted average number of shares assumed to be outstanding for accounting presentation purposes for the full 1975 year is 2,333,466 shares. Adjusted earnings per share for the first half of 1975 have been calculated on this basis as a more meaningful indication of the results of this period and are as follows:

		Adjusted earnings per share
From operations .....	\$1,442,074	\$ .62
Investment gains .....	2,264,380	.97
Extraordinary gain .....	4,600,000	1.97
Total for the period .....	<u>\$8,306,454</u>	<u>\$3.56</u>

## MAJOR INVESTMENTS

Operations and earnings of all companies comprising our major investments are proceeding as well or better than their respective forecasts. Highlights since the year end are as follows:

1. C. F. Houghton Limited, in which we have a 39% interest, is expecting to show a substantial increase in sales and earnings for its current fiscal year which ends on August 31, 1975 over those for 1974 – itself a record year. Prospects for fiscal 1976 are encouraging and will include for the first time results of the company's expanded business forms operations in Quebec which are scheduled to begin production in early 1976.
2. Venus Esterbrook Canada Limited, 75% owned, which experienced serious difficulties in 1974, has shown marked improvement and a return to sales and earnings levels in line with earlier expectations.
3. Alliance Building Corporation Limited, 45% owned by Slater, Walker Properties Limited, continues to produce satisfactory earnings results in spite of serious liquidity problems brought on by excessive expansion during 1973 and the early part of 1974, coupled with legislation which induced a slow-down in the real estate sector.

Changes in senior management and the establishment of a major programme to dispose of non-essential real estate has brought financial stability to Alliance. However, Alliance is in need of additional equity financing and has announced a rights issue to raise \$2.8 million. Besides agreeing to exercise its own rights, Slater, Walker Properties has undertaken to purchase any shares not taken up under the offering. With this new financing in place it is our view that Alliance has the resources to become a viable entity and make an important contribution to your Company's future.

## OUTLOOK

As a result of the transactions referred to earlier in this report, your Company's balance sheet reflects a very liquid position and we are in an excellent stance to take advantage of the return to a more buoyant economic climate being predicted by responsible financial advisors. In this regard we recently announced the proposed acquisition of a 40% interest in Hemdale Enterprises Inc. for a total consideration of U.S.\$4,250,000 payable \$2,000,000 in cash and the balance by a 5½ year interest free secured note. The purchase price reflects the book value of the underlying assets of Hemdale, the major part of which is cash and certificates of deposits.

Hemdale, listed on the American Stock Exchange, is a holding company engaged through subsidiaries in the selling and leasing of new and used heavy construction, industrial and mining equipment in Western United States. It also has substantial cash resources resulting from the sale of its plywood business in 1974. It is intended that Hemdale will be the vehicle to extend the scope of our activities into the United States at a time when its recovery is predicted to precede and outpace our own expected economic upturn.

We look to satisfactory earnings for the balance of 1975 with per share results from operations exceeding those of 1974. Gains from disposal of investments and extraordinary gains already achieved will very significantly augment total earnings for the 1975 year. We look to our activities in the United States as well as to new investments to contribute to future earnings. However, as long as economic factors dictate, we will continue to take a cautious approach to investment activities giving full consideration to the protection of the Company's significant asset base.

On Behalf of the Board of Directors



Robert Smith  
President

August 22, 1975







*Full*

**SLATER, WALKER OF CANADA LIMITED**

**CONSOLIDATED BALANCE SHEET**

(unaudited)

	As at June 30	
ASSETS	1975	1974
<b>Investments</b>		
Associated companies .....	\$ 1,010,934	\$18,052,756
Unconsolidated subsidiary companies .....	13,807,743	10,922,546
Portfolio .....	5,844,709	4,800,064
	<u>20,663,386</u>	<u>33,775,366</u>
<b>Cash and short-term deposits</b> .....	8,337,922	2,083,600
<b>Other assets</b> .....	3,303,661	6,235,362
	<u>\$32,304,969</u>	<u>\$42,094,328</u>
 <b>LIABILITIES</b>		
<b>Bank indebtedness</b> .....	\$ 75,000	\$ 6,930,000
<b>Other liabilities</b> .....	2,977,205	2,607,154
	<u>3,052,205</u>	<u>9,537,154</u>
 <b>Shareholders' equity</b>		
Share capital .....	14,195,734	14,195,734
Contributed surplus .....	4,016,267	4,016,268
Retained earnings .....	23,486,878	14,345,172
	<u>41,698,879</u>	<u>32,557,174</u>
Less the carrying value of the Company's shares held by a consolidated subsidiary .....	12,446,115	—
	<u>29,252,764</u>	<u>32,557,174</u>
	<u>\$32,304,969</u>	<u>\$42,094,328</u>
 <b>Shareholders' equity per share</b> .....	<u>\$15.66</u>	<u>\$8.73</u>



**SLATER, WALKER OF CANADA LIMITED**

**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS**

(unaudited)

	Six months ended June 30	
	1975	1974
<b>Financial income</b> including fees, trading gains, interest and dividends .....	\$ 1,115,400	\$ 3,152,106
<b>Equity in net earnings</b> before extraordinary gain of associated and unconsolidated subsidiary companies .....	1,318,000	1,291,000
	2,433,400	4,443,106
<b>Expenses</b> (including \$41,000 income taxes; 1974 – \$1,156,000) ..	991,326	2,267,933
<b>Earnings</b> before net gain on disposal of investments and extraordinary gain .....	1,442,074	2,175,173
<b>Net gain on disposal of investments</b> (after \$1,981,000 income taxes; 1974 – nil) .....	2,264,380	263,381
<b>Extraordinary gain</b> representing net profit on disposal of investment properties by unconsolidated real estate subsidiary .....	4,600,000	339,000
<b>Net earnings</b> for the period .....	8,306,454	2,777,554
<b>Retained earnings</b> at beginning of period .....	15,739,689	11,940,462
	24,046,143	14,718,016
<b>Less dividends</b> .....	559,265	372,844
<b>Retained earnings</b> at end of period .....	\$23,486,878	\$14,345,172
 <b>Earnings per share</b>		
Earnings before net gain on disposal of investments and extraordinary gain .....	\$ .52	\$ .58
Net gain on disposal of investments .....	.81	.07
Extraordinary gain .....	1.64	.09
Total for the period .....	\$2.97	\$ .74

**Notes:**

1. 1974 earnings have been adjusted to reflect the 10% surtax introduced by the Federal Government in the latter part of 1974.
2. The aggregate market value of quoted securities held by the Company is approximately \$1 million in excess of their carrying value.



**SLATER, WALKER OF CANADA LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN INVESTMENTS**

(unaudited)

	Six months ended June 30	
	1975	1974
<b>Source of investment funds</b>		
Earnings from operations .....	\$ 1,442,074	\$ 2,175,173
Less equity in net earnings before extraordinary gain of associated and unconsolidated subsidiary companies ....	1,318,000	1,291,000
	124,074	884,173
Proceeds on disposal of investments .....	23,743,834	1,256,756
Dividends from associated and unconsolidated subsidiary companies .....	4,316,767	213,840
Decrease in trading securities .....	110,725	3,317,501
	28,295,400	5,672,270
<b>Deduct:</b>		
Acquisition of Company's shares by Toronto and London .....	13,650,565	—
Less excess of net tangible assets acquired over purchase price of Company's investment in Toronto and London .....	1,204,450	—
	12,446,115	—
Increase in cash and short-term deposits .....	7,109,710	2,083,600
Repayment of bank indebtedness .....	4,690,000	3,049,581
Dividends paid .....	559,265	372,844
Miscellaneous (net) .....	852,489	132,503
	25,657,579	5,638,528
<b>Funds used for investments</b> .....	2,637,821	33,742
<b>Investments at beginning of period</b> .....	35,923,277	33,318,838
Equity in net earnings of associated and unconsolidated subsidiary companies less dividends received .....	1,601,233	1,416,161
	40,162,331	34,768,741
Less carrying value of investments sold .....	19,498,945	993,375
<b>Investments at end of period</b> .....	<u>\$20,663,386</u>	<u>\$33,775,366</u>



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**SLATER, WALKER  
OF CANADA LIMITED**

**INTERIM REPORT**

SIX MONTHS ENDED JUNE 30, 1974



**SLATER, WALKER OF CAL**  
**INTERIM REPORT** FOR THE SIX MONTH

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**CONSOLIDATED  
STATEMENT  
OF  
EARNINGS  
AND  
RETAINED  
EARNINGS**

**CONSOLIDATED  
STATEMENT  
OF  
CHANGES  
IN  
FINANCIAL  
POSITION**



# DA LIMITED

ED JUNE 30, 1974 (UNAUDITED)

	1974	1973
FINANCIAL INCOME including interest, fees, trading gains and dividends .....	\$ 3,152,106	\$ 854,300
EQUITY in earnings before extraordinary item of associated and unconsolidated subsidiary companies involved in:		
Commercial activities .....	535,000	487,000
Industrial activities .....	441,000	475,000
Real estate activities .....	325,000	244,000
	<u>4,453,106</u>	<u>2,060,300</u>
EXPENSES (including \$1,053,200 income taxes; 1973 - \$41,000) .....	2,165,433	735,342
EARNINGS BEFORE NET GAIN ON DISPOSAL OF INVESTMENTS AND EXTRAORDINARY ITEM .....	<u>2,287,673</u>	<u>1,324,958</u>
NET GAIN ON DISPOSAL OF INVESTMENTS (after income taxes, 1974 - NIL; 1973 - \$531,000) .....	263,381	884,045
EXTRAORDINARY ITEM resulting from equity in net gain on disposal of investment property by an unconsolidated real estate subsidiary .....	339,000	—
NET EARNINGS FOR THE PERIOD .....	<u>2,890,054</u>	<u>2,209,003</u>
RETAINED EARNINGS AT BEGINNING OF PERIOD .....	11,940,462	7,354,343
ADD equity in capital transactions of associated companies .....	—	1,338,293
	<u>14,830,516</u>	<u>10,901,639</u>
LESS dividends .....	372,844	186,422
RETAINED EARNINGS AT END OF PERIOD .....	<u>\$14,457,672</u>	<u>\$10,715,217</u>
EARNINGS PER SHARE		
Before net gain on disposal of investments and extraordinary gain .....	61¢	35¢
Net gain on disposal of investments .....	7	24
Extraordinary gain .....	9	—
	<u>77¢</u>	<u>59¢</u>

INVESTMENTS AT BEGINNING OF PERIOD .....	\$33,318,838	\$29,743,805
SOURCE OF INVESTMENT FUNDS		
Trading securities .....	3,317,501	—
Earnings for the period .....	2,890,054	2,209,003
Bank indebtedness .....	—	6,512,761
Equity in capital transactions of associated companies .....	—	1,338,293
	<u>6,207,555</u>	<u>10,060,057</u>
DEDUCT:		
Bank indebtedness .....	3,049,581	—
Short-term deposits .....	2,083,600	—
Dividends .....	372,844	186,422
Other liabilities .....	233,471	832,597
Miscellaneous (net) .....	1,531	(110,818)
Notes receivable .....	—	7,222,346
Trading securities .....	—	4,743,853
Accounts receivable .....	—	102,042
	<u>5,741,027</u>	<u>12,976,442</u>
INCREASE (DECREASE) IN INVESTMENTS .....	466,528	(2,916,385)
INVESTMENTS AT END OF PERIOD .....	<u>\$33,785,366</u>	<u>\$26,827,420</u>



# PRESIDENT'S REPORT

## TO THE SHAREHOLDERS

### Interim Results

Consolidated earnings before net gain on disposal of investments and extraordinary item for the six months ended June 30, 1974 were \$2,287,673 (61¢ per share) as compared with \$1,324,958 (35¢ per share) for the same period of 1973. Earnings for the first half of 1974 are unusually high because of significant trading gains in the early part of the year. Earnings from industrial activities have declined because 1973 results include our share of the earnings of Inter-City Gas which investment was sold in April of that year. In fact, earnings from the remaining industrial investments have increased by 17%.

In addition, net gain on disposal of investments amounted to \$263,381 (7¢ per share) as compared with \$884,045 (24¢ per share) in 1973. Such gains, because of their nature, occur irregularly and are therefore shown separately in the earnings statement.

### Asset Value

The decline in the stock market has continued to adversely affect the asset value of your Company. Based on the market value of listed investments and the book value of other investments, total assets and net assets of the Company were approximately \$40 million (\$10.73 per share) and \$31 million (\$8.31 per share) at June 30, 1974, compared with \$52 million (\$13.95 per share) and \$39 million (\$10.46 per share) at last year end. Your management has carefully reviewed all unlisted securities held by the Company and is of the opinion that they are conservatively worth at least \$9 million (\$2.41 per share) in excess of their book value.

### Major Investments

As reported to you in the 1973 Annual Report all companies comprising the major investments of the Company are con-

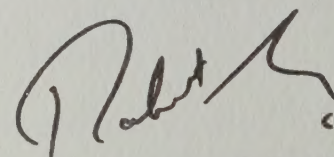
tinuing to perform well and according to their respective forecasts, notwithstanding a number and variety of problems that have affected their various areas of activity including rising costs, shortages of raw materials and escalating interest rates.

As recently announced the Reed Paper Group Canada Ltd. has, subject to certain conditions, made a proposal the result of which will be that shareholders of Alpa Industries Limited will receive \$12 a share for their Alpa shares. It is our intention to accept this proposal which will generate approximately \$2.8 million cash, net of income taxes, and further strengthen our liquidity.

### Outlook

As mentioned above there are a number of problems resulting from economic conditions which face your Company and its associates today. Even so, prospects for Canada continue to be good and we anticipate a satisfactory level of performance for the remainder of 1974. On the other hand, many countries of the free world are experiencing grave economic difficulties and we in Canada must be cognizant of these circumstances. We therefore will continue to seek new investments with due caution and evaluation of the ever changing economic climate. Your Company is financially strong with significant liquid resources and substantial credit facilities all of which puts it in an excellent position in the unpredictable economic climate facing us at this time.

On Behalf of the Board of Directors



Robert Smith  
President

August 29, 1974